

## Message Text

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PAGE 01 STATE 213613  
ORIGIN STR-04

INFO OCT-01 IO-13 ISO-00 EB-08 COME-00 TRSE-00 ITC-01  
AGRE-00 CEA-01 CIAE-00 DODE-00 FRB-03 H-01 INR-07  
INT-05 L-03 LAB-04 NSAE-00 PA-01 AID-05 SS-15  
PRS-01 SP-02 FEAE-00 OMB-01 NSCE-00 SSO-00  
USIE-00 INRE-00 STRE-00 /076 R

DRAFTED BY STR:AFLAIG:EHW  
APPROVED BY STR:GFEKETEKUTY  
COMMERCE:SARLINGHAUS  
TREASURY:EBARBER  
USDA:JHUDSON  
STATE:BBARRACLOUGH  
USITC:WHART

-----000955 071826Z /53

O 071808Z SEP 77  
FM SECSTATE WASHDC  
TO USMISSION GENEVA IMMEDIATE

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USMTN

E.O. 11652:

TAGS: ETRD, MTN

SUBJECT: TARIFF PLAN

1. IN PREPARATION FOR AN AGREEMENT ON THE TARIFF PLAN BY  
OCTOBER 1, IT WILL BE NECESSARY TO BEGIN CONSULTATIONS IN  
GENEVA WITH OTHER DELEGATIONS ON VARIOUS ELEMENTS OF THE  
TARIFF PLAN DURING WEEK OF SEPTEMBER 5. MTN DEL SHOULD BE-  
GIN CONSULTATIONS MAKING PRESENTATIONS USING THE GUIDELINES  
BELOW AS WELL AS TPSC DOCUMENT 77-62 QUOTE THE TARIFF PLAN  
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END QUOTE, BEING HAND CARRIED BY BALE.

2. TARIFF FORMULA

THE UNITED STATES SEEKS AGREEMENT ON A TARIFF FORMULA WHICH  
WILL ACHIEVE A SUBSTANTIAL CUT IN TARIFFS COMBINED WITH HAR-  
MONIZATION. THE U.S. IS WILLING TO OFFER MORE HARMONIZATION

THAN WE HAVE FORMALLY OFFERED THUS FAR IF THIS WILLINGNESS ON OUR PART IS RECIPROCATED BY WILLINGNESS OF OTHERS TO AGREE TO A SUBSTANTIAL OVERALL CUT.

3. THE U.S. SEEKS AN AVERAGE CUT IN TARIFFS, AT THE END OF THE DAY, OF NO LESS THAN THE 35 PERCENT AVERAGE ACHIEVED DURING THE KENNEDY ROUND. INASMUCH AS EXCEPTIONS RESULTED IN A 15 PERCENT EROSION OF THE 50 PERCENT KENNEDY ROUND TARIFF REDUCTION HYPOTHESIS, WE SHOULD SIMILARLY AIM FOR A TOKYO ROUND FORMULA, WHICH TOGETHER WITH GREATER THAN FORMULA CUTS, WOULD CALL FOR A 50 PERCENT AVERAGE CUT IN TARIFFS. IN LINE WITH THIS GOAL, THE U.S. IS PROPOSING INFORMALLY, AS PER TPSC PAPER, A FORMULA OF Y EQUALS 40 PLUS POINT 5X ALONG WITH A COMMITMENT TO GREATER THAN FORMULA CUTS. WE CAN INDICATE OUR WILLINGNESS TO ACCEPT A VARIETY OF FORMULAS PROVIDED THEY MEET THE 50 PERCENT AVERAGE CUT OBJECTIVE AND OUR ADDITIONAL PARAMETERS LISTED BELOW.

4. THE U.S. SHOULD SEEK TO REACH AGREEMENT ON A TARIFF FORMULA WHICH WOULD:

A. REDUCE A 10 PERCENT DUTY BY AT LEAST 30 PERCENT (WE SHOULD MAKE A MAXIMUM EFFORT TO ACHIEVE 35-40 PERCENT.) SO THAT THE MANY FOREIGN DUTIES OF APPROXIMATELY 10 PERCENT FACED BY U.S. EXPORTERS (ESPECIALLY IN THE EC AND LIMITED OFFICIAL USE

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JAPAN) BE REDUCED SIGNIFICANTLY;

B. AIM AT A REDUCTION OF DUTIES THAT REFLECTS A DEGREE OF HARMONIZATION WHICH TENDS TO BRING INTO LINE WITH LOWER U.S. DUTIES THE RELATIVELY HIGH DUTIES OF SOME OF OUR TRADING PARTNERS (ESPECIALLY CANADA), WHILE NOT BEING SO SUBSTANTIAL AS TO CREATE SERIOUS DOMESTIC ADJUSTMENT PROBLEMS;

C. CALL FOR SIGNIFICANT REDUCTIONS OF RATES AROUND 20 PERCENT; PERCENTAGE REDUCTIONS OF HIGH U.S. INDUSTRIAL DUTIES SHOULD NOT GREATLY EXCEED THE REDUCTIONS IN RATES AROUND 20 PERCENT (WHICH REPRESENTS THE UPPER LIMIT OF INDUSTRIAL DUTIES IN THE TARIFF SCHEDULES OF SOME OF OUR MAJOR TRADING PARTNERS).

5. EC

WE SHOULD USE OUR DISCUSSIONS WITH THE EC TO INDICATE TO THEM THE PROBLEMS WE HAVE WITH THEIR CURRENT PROPOSAL. WE SHOULD STATE THAT WE HAVE CONCLUDED THAT THE EC PROPOSAL TABLED IN THE TARIFFS GROUP AND THEIR TIDEWATER POSITION OF

Y EQUALS X 3 TIMES WOULD YIELD AN UNACCEPTABLY LOW DEPTH OF CUT IN THE TARIFF RANGE OF PRIMARY INTEREST TO THE U.S. IT WOULD ALSO CALL FOR UNACCEPTABLY HIGH U.S. CUTS IN HIGH RATES UNMATCHED BY COMPARABLE TARIFF LIBERALIZATION BY THE EC AND OTHERS. WE CAN CONFIRM OUR WILLINGNESS TO ACCEPT MORE HARMONIZATION AS THEY RECIPROCATATE BY ACCEPTING A DEEPER OVERALL CUT.

6. SWISS

THE U.S. CAN INDICATE TO THE SWISS THAT WE CONSIDER THEIR PROPOSAL TABLED IN THE TARIFFS GROUP A POSITIVE CONTRIBUTION TOWARD A COMPROMISE SOLUTION. WE SHOULD ENCOURAGE THEM TO CONTINUE IN THIS POSITIVE ROLE TO HELP REACH A SAT-LIMITED OFFICIAL USE

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ISFACTORY COMPROMISE.

7. NORDICS

THE NORDICS CAN BE SHOWN THE KINDS OF FORMULA THE U.S. CAN SUPPORT AND CAN BE ENCOURAGED TO TAKE THE ROLE OF HONEST BROKER BETWEEN THE U.S. AND EC IN SETTLING DIFFERENCES IN POSITION ON THE FORMULA. THEIR POSITION COULD BE TO PROPOSE A COMPROMISE FORMULA.

8. EXCEPTIONS

WE SHOULD INDICATE THAT WE ARE PARTICULARLY INTERESTED IN LIMITING EXCEPTIONS AND THAT WE WILL STRIVE TO DO SO, ALTHOUGH WE WILL HAVE MANDATORY EXCEPTIONS. THEREFORE, WE SUPPORT THE PRINCIPLE OF USING MAXIMUM RESTRAINT TO MINIMIZE EXCEPTIONS TO THE TARIFF-CUTTING FORMULA. WE SHOULD ALSO MAKE CLEAR THE OPERATIONAL DIFFICULTIES WE WOULD HAVE WITH HAVING NO EXCEPTIONS. WE DO NOT WISH TO ADDRESS AT THIS TIME THE QUESTION OF ANY INTERNATIONAL RULES FOR HANDLING EXCEPTIONS AS PART OF THE TARIFF PLAN.

9. IF, AS PART OF THE TARIFF PLAN, IT IS NECESSARY TO HAVE AN INTERNATIONAL RULE ON EXCEPTIONS, THEN IN ORDER TO DISCOURAGE OUR TRADING PARTNERS FROM MAKING A LARGE NUMBER OF WITHDRAWALS TO COMPENSATE FOR THE EXCEPTIONS WE TAKE, THE UNITED STATES SHOULD INDICATE THAT IT WOULD BE PREPARED TO DEVELOP A SELF-BALANCED PACKAGE. THIS COULD BE ACHIEVED THROUGH THE USE OF GREATER-THAN-FORMULA CUTS IN CERTAIN AREAS TO COMPENSATE FOR EXCEPTIONS THAT ARE TAKEN. (SUCH CUTS COULD ALSO BE USED TO ACHIEVE OTHER NEGOTIATING OBJECTIVES.)

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10. S AND D

IN CONSULTATIONS WITH OTHER DEVELOPED COUNTRIES, WE SHOULD REITERATE OUR WILLINGNESS TO CONSIDER ONLY LIBERALIZING MEASURES OF S AND D. WE SHOULD SEEK TO ACHIEVE AGREEMENT AMONG DCS ON OUR APPROACH TO SPECIAL AND DIFFERENTIAL TREATMENT. WE SHOULD REITERATE THAT SPECIAL TREATMENT GRANTED BY SUCH COUNTRIES TO THE DETRIMENT OF U.S. TRADE WILL BE TAKEN INTO ACCOUNT WHEN WE CALCULATE RECIPROCITY.

11. IN CONSULTATIONS WITH LDCS WE SHOULD OUTLINE OUR APPROACH TO SPECIAL AND MORE FAVORABLE TREATMENT AND ATTEMPT TO PERSUADE THEM OF THE VALUE OF THIS APPROACH. MTN DEL SHOULD BE GUIDED BY POSITION AS OUTLINED IN TPSC PAPER. VANCE

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ORIGIN SS-15

INFO OCT-01 EA-10 ISO-00 /026 R

66011

DRAFTED BY:E:DPLANTY:NAF

APPROVED BY:E:EJOHNSTON

-----015597 081757Z /56

P 081630Z SEP 77

FM SECSTATE WASHDC

TO AMEMBASSY MANILA PRIORITY

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FOR UNDER SECRETARY COOPER FROM E. JOHNSTON

FOLLOWING SENT ACTION GENEVA FM SECSTATE

QUOTE C O N F I D E N T I A L

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E.O. 11652:

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## Message Attributes

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**Review Transfer Date:**  
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**To:** GENEVA USMTN  
**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009